FINANCIAL & STATISTICAL HIGHLIGHTS

WORKERS' COMPENSATION BOARD - ALBERTA

92-02353/

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THE MISSION OF THE WORKERS' COMPENSATION BOARD-ALBERTA IS:

TO SERVE WORKERS AND EMPLOYERS BY REDUCING INJURIES, COMPENSATING WORKERS WHILE DISABLED AND REHABILITATING TO RE-EMPLOYMENT OR SELF-SUFFICIENCY.

RESPONSIBILITIES OF THE WCB

During 1990, over 61,000 employers and their workers enjoyed the protection of workers' compensation coverage in Alberta. For that period, the WCB-Alberta collected revenue in excess of $417 million and adjudicated approximately 64,000 claims for industrial injuries.

Under the principle of collective liability, employers are jointly responsible for the costs of industrial accidents, and in return are protected from legal action.

With respect to the financial management of the WCB, its responsibilities include:

- setting rates of contribution to the WCB by employers; and
- determining policies regarding the investment of WCB funds.

FINANCIAL MANAGEMENT

The WCB follows a fully-funded principle which is to levy annual assessments which, with investment earnings, will be sufficient to meet current and future claim costs of each year's accidents, as well as related administrative expenses.

The principle of collective liability forms the basis of workers' compensation legislation. It requires employers to be jointly responsible for the costs of industrial accidents. Within this system the WCB seeks to:

- set assessment rates that reflect the hazards of an employer's industry;
- avoid large fluctuations in industry assessment rates; and
- avoid unduly burdening future employers with the costs of current year accidents.

The WCB assessments for employers are based on an experience rating system implemented in 1987. This sytem provides a more equitable distribution of the cost of workers' compensation, and provides employers with incentives to reduce the number and costs of work related injuries.

NOTE: Audited financial statements are published as part of the WCB's Annual Report.

A detailed listing of investment particulars is available upon request.

FIGURE 1

Revenue From Industry Assessments 1986-1990
(Millions of Dollars)

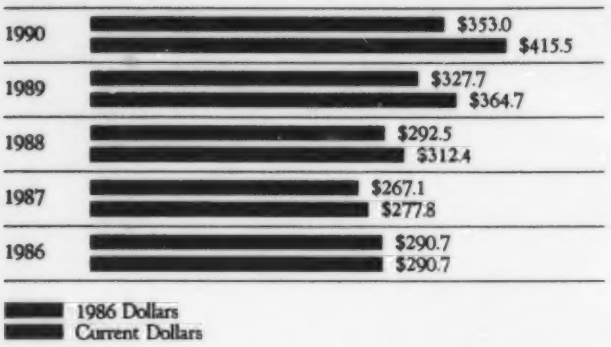


FIGURE 2

Claim Costs 1986-1990
(Millions of Dollars)

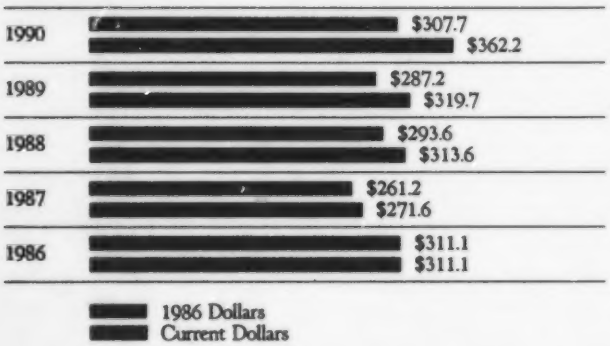
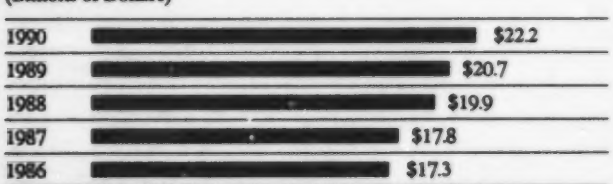


FIGURE 3

Total Assessable Payrolls 1986-1990
(Billions of Dollars)



Note: Assessable payrolls reflect audit adjustments made subsequent to the year of assessment and vary slightly from those reported in the respective Annual Report for each year.

PRESENT FINANCIAL SITUATION OF THE WCB

Approximately 65,980 industry accounts were active during 1990. An estimated $415.5 million from industry assessment revenue was expected from these accounts. This represents an increase of 13.9% from 1989 (Figure 1).

For the same period, approximately 64,500 new claims for industrial injuries were reported while $362.2 million in claim costs were incurred (Figure 2). Of these 64,500 claims reported, it is estimated that 45,100 involved lost-time.

Between 1986 and 1990, total claim costs rose from $311.1 million to $362.2 million. On a constant dollar basis, 1990 claim costs represent $307.7 million or an average increase of 1.3% since 1986.

During the same five year span, assessment revenue increased from $290.7 million to $415.5 million — an increase of 42.9%. However, if the effect of inflation is removed, 1990 assessment revenue represents $353.0 million, in terms of 1986 dollars, or an average annual increase of 5.3%.

Average assessment revenue increased at a higher rate because the 1986 assessment rate was approximately 21% less than what was required to cover the cost of injury claims.

TOTAL ASSESSABLE PAYROLLS

During the five years from 1986 to 1990, assessable payrolls rose from $17.3 billion to $22.2 billion (Figure 3). This growth is due to:

- growth of the Alberta labour force;
- higher wages and salaries;
- extension of coverage to additional industries.

EMPLOYERS' ASSESSMENTS

The average assessment rate was $1.86, up from $1.59 in 1986 (Figure 4). It is important to note that the assessment rates fund only accidents occurring in that year and make no reference to prior years.

Prior to 1988, industry assessment rates were held frozen for a period of five years. The maximum allowable industry rate increase in 1990 was 25%. The average rate increase in 1990 was 6.3%. Although a shortfall has resulted in the current unfunded liability, the number of industries not at the required rate has been decreasing.

COST OF OPERATIONS

Costs for Current and Prior Years Operating Activities by Year

Operating revenues were $575.1 million in 1990 while total expenditures were $574.9 million (Figure 5). Operating revenues increased 6.3% over 1989 and operating expenditures increased 20.2%. The result was a $0.13 million operating surplus for the year.

Operating income is the total revenue from assessments and investments for activities pertaining to 1990 and prior years.

Operating expenditures include:

- the current expenses and estimated future cost of claims for all accidents or industrial diseases which occurred during 1990 and prior years;
- Occupational Health and Safety expenses for activities pertaining to 1990;
- Medical Services and Rehabilitation Centre operations for 1990;
- Safety association and research grants for 1990; and
- administrative and general expenses for activities during 1990.

As a proportion of total expenditures, benefits paid (including the provision for future claim costs) represent 63%, administrative/other expenses 16.8%, and the liability increase 20.2%.

FIGURE 4

Average Actual Compared to Average Required Assessment Rates

(Rate per $100 of Assessable Payroll)

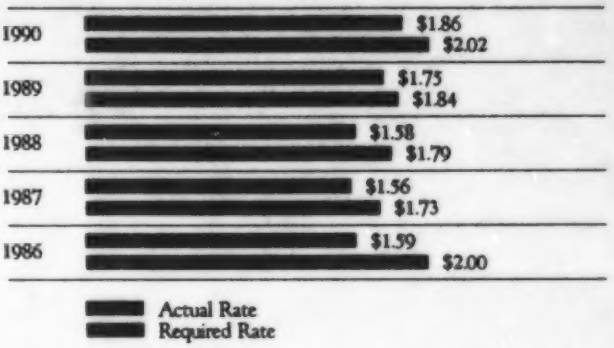
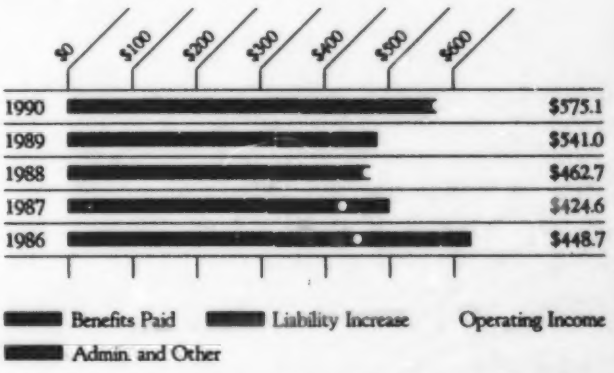


FIGURE 5

Summary of Operating Activities 1986-1990

(Millions of Dollars)



Liability increase is the difference between the 1990 liability claims and the 1989 liability claims.

FIGURE 6

Operating Costs for 1990 Accidents

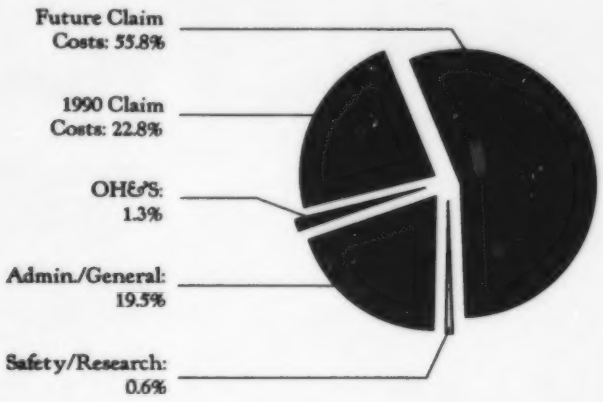


FIGURE 7

Distribution of Estimated Claim Costs for the 1990 Accident year

(Millions of Dollars)

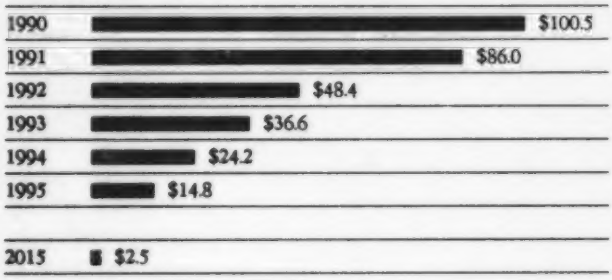
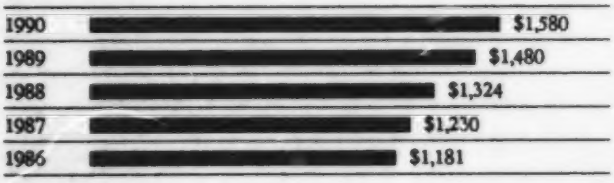


FIGURE 8

Growth in Investment Portfolio 1986-1990

(Millions of Dollars)



COSTS FOR 1990 OPERATING ACTIVITIES

Of operating expenditures totalling $574.9 million, $451.2 million related solely to 1990 operating activities. The $451.2 million in expenditures was allocated as follows: 78.6% to the current and future costs of accidents which occurred during the year; 19.5% for administrative and general expenditures; 1.3% for Occupational Health and Safety; and 0.6% for safety/research (Figure 6). The remaining $123.7 million of the $574.9 million relates to prior year claims.

For a specific accident year, the claim costs incurred during the first year represent only a small proportion of the total costs that will ultimately be paid over the life of these claims. For example, over $100.5 million in claim payments were made in 1990 for claims which occurred during that year (Figure 7). Although this represents the largest single expenditure year, the provision for expected costs in later years is substantially larger than the costs in the first year. Twenty-five years after the year of accident, the WCB still expects to incur an annual cost of approximately $2.5 million for these 1990 claims.

INVESTMENTS

The WCB's investment portfolio at book value grew from $1,181 million in 1986 to $1,580 million in 1990 (Figure 8).

The WCB has maintained an annual average gross rate of return on investments of 9.67% and an average real rate of return, net of inflation, of 5.38% over the past five years (Table 1, Figure 9).

To improve the return on investments, for the benefit of both employers and claimants, the WCB adopted more flexible investment constraints in March, 1987. As a result, the WCB has revised its target net rate of return (after inflation) from 3.0% to 3.5%.

Income from investments represented 25.9% of the WCB's gross operating revenue in 1990 (Figure 10).

The composition of the WCB's investment portfolio is 47.9% in bonds, 13.0% in the money market, 26.9% in equities, and 12.3% in other investments (i.e. mortgages and real estate) (Figure 11).

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TABLE 1

Rate of Return on Investments

Year	Gross Rate[1]	Inflation[2]	Real Rate
1990	9.67	3.67	5.79
1989	11.10	3.59	7.25
1988	10.06	4.61	5.21
1987	10.69	6.06	4.37
1986	11.58	6.95	4.33

Average Real Rate of Return = 5.38%

1 Gross Rate is calculated on the basis that investment income is amortized over a seven year period.

2 Inflation is calculated as a seven year moving average. Previous years exhibits are not comparable due to data for the calculation being reassessed in 1990.

FIGURE 9

Rate of Return of Investments Compared to Inflation Rate 1986-1990

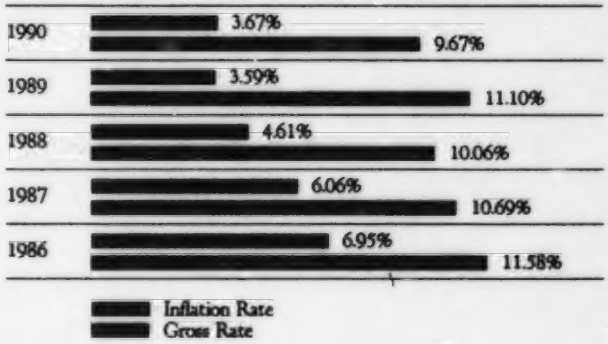


FIGURE 10

Investment Income as a Percentage of Revenue 1986-1990

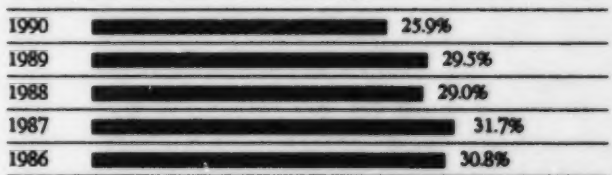
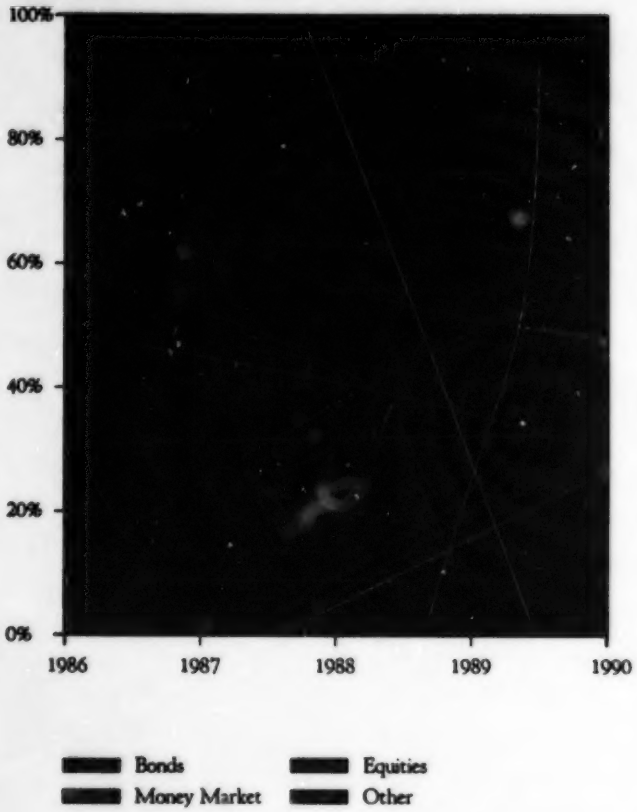


FIGURE 11

Composition of Investment Portfolio 1986-1990



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ACCIDENT FUND BALANCE

The actuarial liability is the estimated amount required to be invested to meet benefit payments in future years for accidents and occupational diseases that have already occurred. When the assets held by the WCB are insufficient to cover these actuarial liabilities, then the Accident Fund balance is said to be in a deficit or to have an unfunded liability.

Surpluses were accumulated in the reported Accident Fund balance until 1979. Between 1980 and 1988 significant deficits occurred because assessment revenues did not cover claim costs.

In 1990 an operating deficit was recorded. The deficit was the result of an extraordinary item, the assumption of pre-1974 pension increase liability.

UNFUNDED LIABILITY

The unfunded liability is the shortfall between what is required to pay the future costs of existing claims and the present value of assets to meet those projected costs.

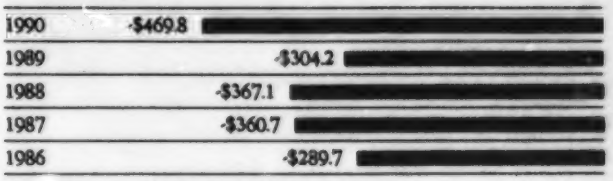
The Accident Fund deficit moved from $304.2 million in 1989 to $469.8 million in 1990 (Figure 12). Total assets increased to $1,799.6 million. Consequently, the WCB found its liabilities 79.3% funded at year-end (Figure 13).

To ultimately achieve a fully-funded position, future assessment rates must cover the full cost of new accidents. 1991 rates were increased for 532 industries of the 716 industry groups covered by the WCB.

FIGURE 12

Accident Fund Accumulated Balance at the End of the Year 1986-1990

(Millions of Dollars)



1990 includes assumed liability for pre-1974 pension increases.

FIGURE 13

Accident Fund Liabilities Percent Funded 1986-1990

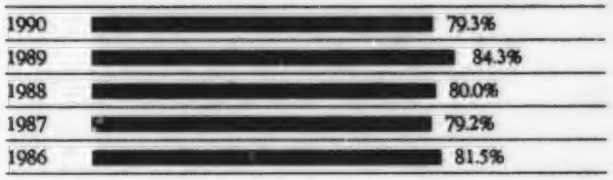
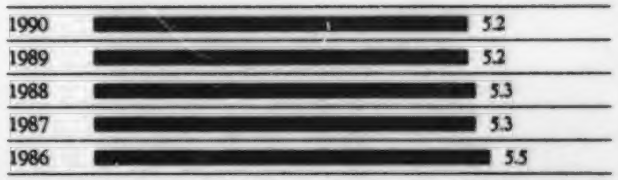


FIGURE 14

Estimated Lost-Time Claims Rate Per 100 Workers Covered



Data used for the calculation of this exhibit was reassessed in 1990 and, therefore, statistics for previous years have been adjusted.

FIGURE 15

Estimated Lost-Time Claims 1986-1990

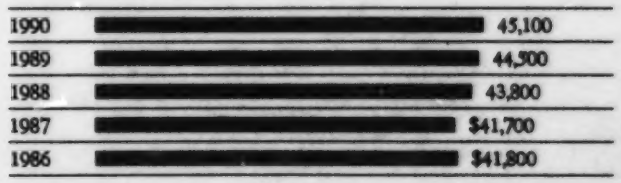


FIGURE 16

Estimated Average Temporary Disability Days Paid Per Lost-Time Claim 1986-1900

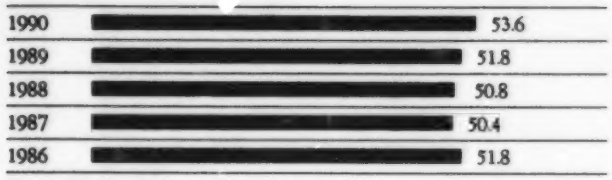


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FIGURE 17

Estimated Fully-Funded Cost Per Lost-Time Claim 1986-1990

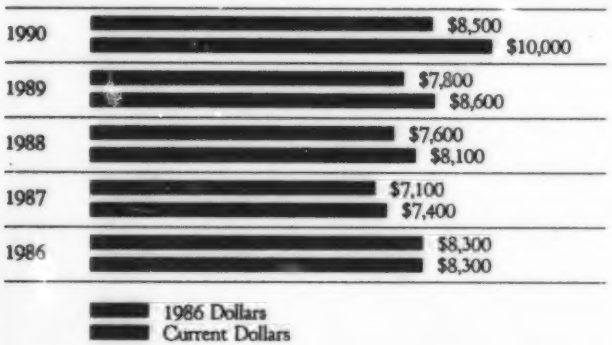

TABLE 2

Number of New Claims Reported By Part of Body

	1990	1989
Back	15,879	14,911
Finger	6,923	6,824
Chest, Hip or Shoulder	6,021	5,462
Toe, Foot or Ankle	6,019	5,729
Multiple Parts	5,111	5,190
Hand or Wrist	4,870	4,393
Head or Neck	3,578	3,164
Arm	3,574	3,871
Knee	3,383	3,258
Non-Personal Damage	3,202	3,212
Eye	2,748	2,683
Leg	1,915	1,992
Body System	1,104	1,188
Unclassified	176	145
Totals	64,503	62,022

CLAIM STATISTICS

The WCB has changed its perspective to include a more active role in preventing workplace injuries. Examining accident statistics in more detail identifies situations that have historically resulted in claims, and facilitates directing accident prevention efforts where they might have the greatest effect.

In 1990, it is estimated that 5.2 out of every one hundred covered Alberta workers suffered an industrial injury resulting in a lost-time claim (Figure 14). A lost-time claim is one in which the worker is on compensation for one or more days subsequent to the date of accident. Ultimately, it is estimated a total of 45,100 lost-time claims will result from industrial accidents which occurred in 1990 (Figure 15). The injury rate has declined modestly over the five years and the WCB objective is to reduce lost-time claims rates by 15% by the end of 1994. Over the life of each 1990 lost-time claim an average of 53.6 compensation days will be paid.

During the past five years, the number of lost-time claims have remained relatively stable. In 1990, the average compensation days paid increased to 53.6 from 51.8 in 1989 (Figure 16). Each lost-time claim in 1990 is estimated to have a fully-funded cost of $10,000 (Figure 17). Fully-funded costs per claim remained more or less stable in terms of 1986 dollars. However, the 1990 costs are higher partly due to increased administrative costs required to provide quality service.

Generally, the most common claims reported are males suffering from strained or sprained backs due to overexertion.

Backs were the most common part of the body injured, accounting for almost 25% of all claims reported in 1990 (Table 2).

The most frequent type of injury reported in 1990, 41% of all new claims, was a strain or sprain (Table 3).

There is a significant difference in the frequency of accidents by month. Figure 18 illustrates noticeable decreases in April and December. The decrease in April is most likely the result of a slow-down in activity due to spring breakup, while the December decrease is presumably related to the reduced number of hours worked due to the seasonal holidays.

The number of fatal claims accepted in 1990 was 120 which is an increase of 13 claims over 1989 (Figure 19). The increase is a result of a major motor vehicle accident which involved eight individuals. Highway accidents and industrial disease are the most frequent causes of death in claims accepted in 1990 (Table 4).

ACCIDENT FUND BALANCE

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To ultimately achieve a fully-funded position, future assessment rates must cover the full cost of new accidents. 1991 rates were increased for 532 industries of the 716 industry groups covered by the WCB.

TABLE 3

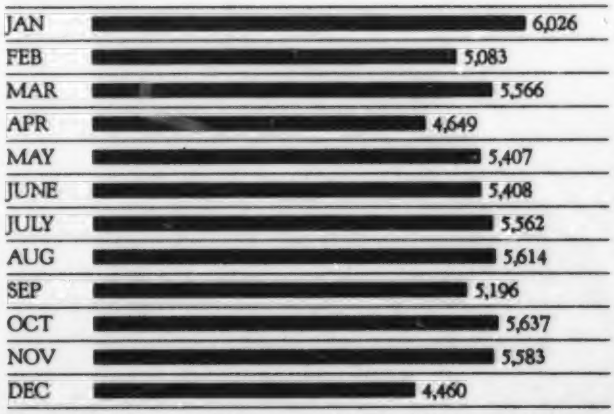
Number of New Claims Reported By Nature of Injury[1]

	1990	1989
Strain or Sprain	26,424	26,391
Bruise	8,889	8,042
Cut or Laceration	6,160	6,990
Fracture or Dislocation	4,501	3,677
Other Industrial Injury	3,784	1,322
Multiple Injuries	3,523	5,479
Non-Personal Damage	3,160	3,214
Bursitis or Synovitis	2,676	2,412
Burn or Scald	1,778	1,956
Other Industrial Disease	1,624	578
Unclassified	816	482
Dermatitis or Systemic Poisoning	513	1,011
Amputation	309	90
Arc or Welding Flash Burn	227	264
Temperature Effects	110	108
Radiation Effects	9	6
Totals	64,503	62,022

[1]Note: All types of claims are included in the table, e.g., Lost-Time, Pensions, Medical Aid, and Claims in which a judgement is pending.

FIGURE 18

Monthly Distribution of Newly Reported Claims Administered in 1990



The methodology used in this exhibit was reassessed in 1990 and, therefore, statistics from previous years publications are not comparable.

FIGURE 19

Fatal Claims Accepted 1986-1990

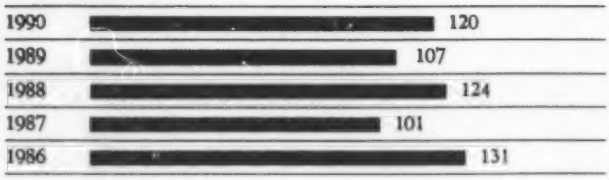


TABLE 4

Fatalities Accepted in 1990 By Cause of Death

	1990	1989
Highway Accident	44	36
Industrial Disease	22	25
Struck by Object	13	16
Fall From Elevation	7	6
Public Transportation Accident	7	2
Unclassified	7	1
Caught in Equipment/Cave-Ins	6	5
Explosion	3	0
Electrocution	2	6
Acts of Violence	2	3
Drowning	2	0
Burns	1	3
Slipped	1	1
Heavy Equipment Accident	1	1
Struck Against Object	1	0
Bodily Reaction	1	0
Contact With Noxious Substance	0	1
Overexertion	0	1
Totals	120	107

Note: Highway Accident — Multiple Vehicle Accident, Single Vehicle Accident and Other Highway.

Struck by Object — Fall or Flying Object.

Industrial Disease — Silicosis, Heart, Respiratory, Asbestosis and Lung Cancer.

Public Transportation Accident — Cases where injury resulted from an accident to a public transportation vehicle where the injured was a passenger.

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The WCB has changed its perspective to include a more active role in preventing workplace injuries. Examining accident statistics in more detail identifies situations that have historically resulted in claims, and facilitates directing accident prevention efforts where they might have the greatest effect.

In 1990, it is estimated that 5.2 out of every one hundred covered Alberta workers suffered an industrial injury resulting in a lost-time claim (Figure 14). A lost-time claim is one in which the worker is on compensation for one or more days subsequent to the date of accident. Ultimately, it is estimated a total of 45,100 lost-time claims will result from industrial accidents which occurred in 1990 (Figure 15). The injury rate has declined modestly over the five years and the WCB objective is to reduce lost-time claims rates by 15% by the end of 1994. Over the life of each 1990 lost-time claim an average of 53.6 compensation days will be paid.

During the past five years, the number of lost-time claims have remained relatively stable. In 1990, the average compensation days paid increased to 53.6 from 51.8 in 1989 (Figure 16). Each lost-time claim in 1990 is estimated to have a fully-funded cost of $10,000 (Figure 17). Fully-funded costs per claim remained more or less stable in terms of 1986 dollars. However, the 1990 costs are higher partly due to increased administrative costs required to provide quality service.

Generally, the most common claims reported are males suffering from strained or sprained backs due to overexertion.

Backs were the most common part of the body injured, accounting for almost 25% of all claims reported in 1990 (Table 2).

The most frequent type of injury reported in 1990, 41% of all new claims, was a strain or sprain (Table 3).

There is a significant difference in the frequency of accidents by month. Figure 18 illustrates noticeable decreases in April and December. The decrease in April is most likely the result of a slow-down in activity due to spring breakup, while the December decrease is presumably related to the reduced number of hours worked due to the seasonal holidays.

The number of fatal claims accepted in 1990 was 120 which is an increase of 13 claims over 1989 (Figure 19). The increase is a result of a major motor vehicle accident which involved eight individuals. Highway accidents and industrial disease are the most frequent causes of death in claims accepted in 1990 (Table 4).

COMPARISONS WITH OTHER JURISDICTIONS

Average Assessement Rate

At $1.75 per $100 of payroll, Alberta's 1989 average assessment rate for workers' compensation was the fourth lowest in Canada (Figure 20). As average rates reflect provincial benefit levels, funding philosophy, unfunded liability position, and the mix of covered industries, they should be interpreted with caution.

Assessable Earnings

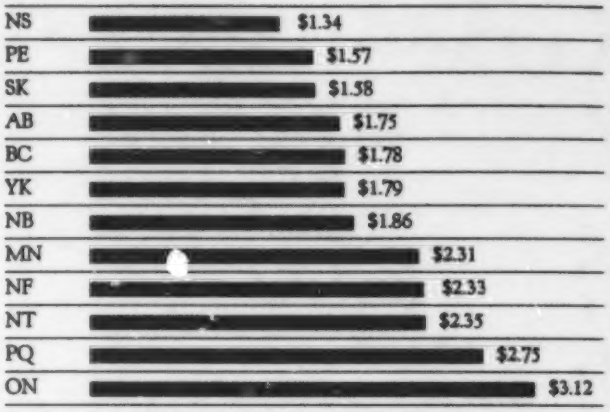
In 1990, Alberta had the third highest maximum annual earnings (for assessment purposes) in Canada (Figure 21). Maximum annual assessable earnings vary from province to province with Newfoundland having the highest at $45,500 and Prince Edward Island the lowest at $23,000. Several provinces have a higher maximum for compensation purposes than for assessment purposes; in Alberta both maximums are the same.

Percent of Liability Funded

The Alberta Workers' Compensation Board was 15.8% underfunded at year end 1989 as compared to 20.1% at year end 1990. A comparison of the Alberta WCB position with that of other Board's in Canada shows that in 1989 (the last year for which comparable data is available) was about in the middle and this will likely apply to 1990 (Figure 22).

FIGURE 20

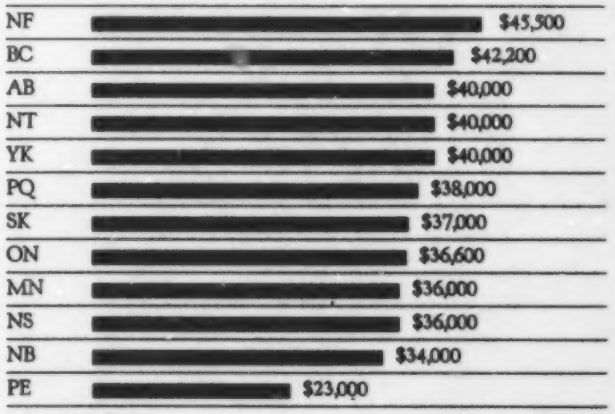
Workers' Compensation Boards of Canada
Average Assessment Rates
(Per $100.00 Payroll)



Canadian average, weighted by payroll, is $2.58 — 1989 adjusted figures.

FIGURE 21

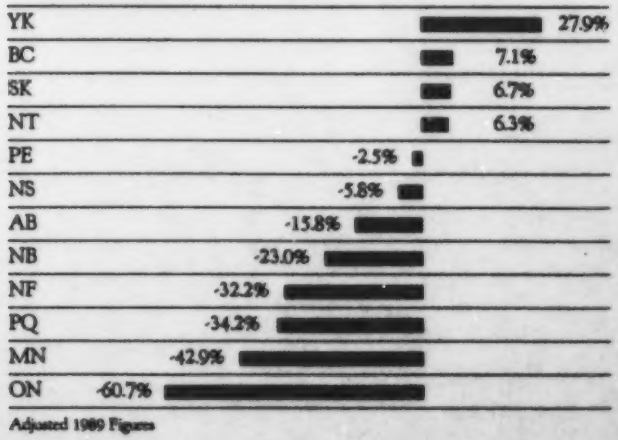
Workers' Compensation Boards of Canada
Maximum Assessable Earnings



Adjusted 1989 Figures

FIGURE 22

Workers' Compensation Boards of Canada
Percent of Liabilities Funded



Adjusted 1989 Figures